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No. 79-886

IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

THE UPJOHN COMPANY AND GERARD THOMAS,
Petitioners,

v.

UNITED STATES OF AMERICA AND DAVID E. NOWAK,
Special Agent, Internal Revenue Service,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

The government's effort to restrict the scope of the attorney-client privilege to be accorded a corporation rests largely upon the premise that the privilege itself is an anachronism that should be given the narrowest possible application. Thus it urges that, if it cannot be demonstrated by proof positive that corporate employees will be less than candid with the corporation's lawyers unless what they say is privileged, the privilege should be denied. It cites the ability of Upjohn's lawyers in this case to obtain information from the corporation's employees at a time when the scope of the privilege was unsettled as sufficient proof that the privilege is not essential. In essence, it urges that, unlike other individuals, corporate employees will willingly volunteer all the facts necessary to obtain legal advice and assistance.

Such an approach to the attorney-client privilege is wholly at odds with four centuries of Anglo-American jurisprudence. *See* 8 Wigmore, *Evidence* § 2290, at 542 n.1 (3d ed. 1961). Moreover, it ignores the principle declared by this Court over 150 years ago that the confidentiality of communications between client and counsel "is indispensable for the purposes of private justice."[1] In urging that communications to counsel be made the subject of examination and publication, the government effectively calls for what this Court has described as "a practical prohibition upon professional advice and assistance."[2] In addition, respondents overlook the fact that their grudging interpretation would not be limited to private corporations, but would also inhibit the flow of informed legal advice to unions, trade associations and even governmental agencies.[3] Accord-

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[1] Chirac v. Reinicker, 24 U.S. (11 Wheat.) 124, 130 (1826).

[2] United States v. Louisville & Nashville R.R., 236 U.S. 318, 336 (1915).

[3] Federal courts have, quite naturally, analogized governmental agencies to corporations, and applied to them the same rules of privilege as are applicable to corporations. *See, e.g.,* Mead Data Central, Inc. v. U.S. Dep't of the Air Force, 566 F.2d 242, 253 n.24 (D.C. Cir. 1977); Hearn v. Rhay, 68 F.R.D. 574, 579 (E.D. Wash. 1975).

ingly, at the forefront of the issues to be resolved in this case is the intrinsic value of the attorney-client privilege in the administration of justice.

Respondents' own discomfort with their position is suggested by their belated reliance upon two arguments that the scope of the privilege need not, after all, be decided here. Neither of those arguments was made in respondents' brief acquiescing in the issuance of a writ of certiorari. We show below that both of these claims are without substance.

With respect to the work-product rule, respondents now concede that the decision of the court of appeals was erroneous. Nonetheless, they seek to sustain disclosure of attorney work product by the adoption of a standard that would regard mere demand by the government as meeting the requirement of "substantial need." Such a standard is contrary to well-established principles, sweeps away the virtually absolute protection that has long been given to the mental impressions and appraisals of counsel, and emasculates the rule in a wide variety of other important situations involving individuals as well as corporations. Here, as in their effort to restrict the attorney-client privilege, respondents appear to attach greater value to the temporary convenience of this investigation than to the fair and effective administration of justice under the adversary system.

A. THERE IS NO VALID BASIS FOR RESTRICTING A CORPORATION'S ATTORNEY-CLIENT PRIVILEGE

1. Respondents' first effort to avoid a decision on the scope of the privilege consists of characterizing the communications between Upjohn's employees and its counsel as made "for business purposes, rather than for the purpose of securing legal services." Gov't Br. 21. This contention defies a specific finding made by the magistrate, adopted by the district court and affirmed by the court of appeals:

> Mr. Thomas consulted with the Chairman of the Board and outside counsel and thereafter conducted

> a factual investigation *to determine the nature and extent of the questionable payments and to be in a position to give legal advice to the Company with respect to the payments.*

Pet. App. 13a (emphasis added). This finding is amply supported by the record, which shows that the inquiry was conducted by Mr. Thomas exclusively in his capacity as the company's attorney, and solely for the purpose of offering legal advice to the company. J. App. 91a. In these circumstances, the communications are, as the court of appeals found, encompassed by the attorney-client privilege.[4]

2. Equally insubstantial is respondents' claim that Upjohn waived the privilege because it disclosed to the IRS certain facts elicited during counsel's investigation. The court of appeals properly dismissed such an argument in a footnote. Pet. App. 7a n.12. The disclosure to the IRS consisted only of a summary of certain facts known to the corporation, *not* of the underlying communications between the employees and counsel. Many of the principal facts elicited during the underlying communications, such as the dates, places and recipients of questionable payments, were not disclosed.

It is well established that a client's disclosure to third parties of "*specific facts* about which he has happened to communicate with the attorney is not a waiver." 8 Wigmore, *Evidence* § 2327, at 638 (3d ed. 1961) (emphasis original). *Accord,* D. McCormick, *Evidence* § 93, at 194 (2d ed. 1972); 2 J. Weinstein & M. Berger, *Commentary on Rules of Evidence for the United States Courts and Magistrates* ¶ 511[02], at 511-4 (1979). Judge Kirkpatrick, who originated the control group test, explained the rule in an earlier opinion in that same case:

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[4] It should also be noted that, contrary to the implication of respondents' brief, many of the communications at issue here were made directly to outside counsel, whose function was unequivocally to provide legal advice. J. App. 93a.

> the protection of the privilege extends only to *communications* and not to facts. A fact is one thing and a communication concerning that fact is an entirely different thing. The client cannot be compelled to answer the question, "What did you say or write to the attorney?", but may not refuse to disclose any relevant fact within his knowledge merely because he incorporated a statement of such fact into his communication to his attorney.

City of Philadelphia v. *Westinghouse Electric Corp.*, 205 F. Supp. 830, 831 (E.D. Pa. 1962) (emphasis original). Here, the corporation simply exercised the right, held by any client, to disclose certain facts known to it after first discussing them with its attorneys. Under established authorities, such disclosure does not result in a waiver of the privilege.

A separate ground fully supports the court of appeals' conclusion that no waiver occurred here. Several courts have refused to find a waiver of the privilege where the only disclosure was part of a corporation's voluntary efforts to comply with regulatory requirements. As the Eighth Circuit explained in its en banc decision in *Diversified Industries, Inc.* v. *Meredith*, 572 F.2d 596, 611 (8th Cir. 1978):

> As Diversified disclosed these documents in a separate and nonpublic SEC investigation, we conclude that only a limited waiver of the privilege occurred . . . . To hold otherwise may have the effect of thwarting the developing procedure of corporations to employ independent outside counsel to investigate and advise them in order to protect stockholders, potential stockholders and customers. [Citations omitted.]

Accord, Byrnes v. *IDS Realty Trust*, 85 F.R.D. 679 (S.D.N.Y. 1980) (principle not limited to outside counsel); *In re Grand Jury Subpoena Dated July 13, 1979*, 478 F. Supp. 368 (E.D. Wis. 1979).

3. Respondents argue that affording the privilege to corporations cannot encourage employees to communicate with counsel because employees are not directly protected, and the company remains free to disclose the information. Gov't Br. 26-32. This argument misconceives the reality and purpose of the corporate attorney-client privilege.

A corporation must depend upon its employees for the information needed to obtain informed legal advice.[5] If employees fear that their communications to counsel may be freely available to adversaries, and thus may result in personal liability or embarrassment, they will inevitably prove uncooperative when information is requested by the corporation and its attorneys. *See* Petr. Br. 35; Br. of Amici N.Y. Comm. on Fed. Courts *et al.* 17-18; Br. of Amicus New England L. Foundation 14-15. A corporation that is entitled to keep employees' communications to counsel confidential will find it in its interest to do so, in order to keep the channels of communication open and to encourage continued candor by employees.[6] More important, a corporation's inability to give

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[5] A client performs several functions in his relationship with an attorney, including communicating facts, receiving advice and acting on that advice. Br. of Amicus Am. Bar Ass'n 10-11. An individual client generally performs all of these functions personally. A corporation, however, must assign these functions to the employees best suited to perform them. By focusing on the decision-making function alone, the control group test fails to take account of the important function performed by the client as provider of the information on which the attorney's advice must be based. *Id. See also,* Note, The Attorney-Client Privilege in the Corporate Setting: A Suggested Approach, 69 Mich. L. Rev. 360, 374 (1970).

[6] As one of the *amici* has emphasized, "experience demonstrates that . . . corporate counsel carefully guard the individual interests of the employee. *See, e.g.,* Handler v. SEC, 610 F.2d 656, 660 n.1 (9th Cir. 1979)." Br. of Amici Am. Coll. of Trial L. *et al.* 13 n.10. *See also,* Dresser Industries, Inc. v. United States, 596 F.2d 1231, 1234 (5th Cir. 1979) (corporation sought to protect employees from potential physical harm resulting from public disclosure of information); SEC v. Lockheed Aircraft Corp., 404 F. Supp. 651, 652 (D.D.C. 1975) (corporation refused to comply with SEC subpoena on grounds, *inter alia,* that information may be prejudicial to employees in question).

employees any assurances of confidentiality will seriously damage the corporation's interest in communicating freely with its employees, and severely limit its ability to gather information for purposes of seeking legal advice. Petr. Br. 35, 39; Br. of Amici Trial L. 13 & n.10.

Respondents seek to avoid these issues by claiming that Upjohn did not obtain the permission of its employees before it assertedly revealed some of the information it obtained from them. Gov't Br. 27. In fact, Upjohn has never revealed the communications with any of its employees. While Upjohn has disclosed summaries of information regarding its activities in various countries, it has never revealed communications from specific employees, nor has it referred to the actions of particular employees. This litigation itself represents Upjohn's continuing effort to shield its employees against disclosure of the confidential communications made by them to the company's counsel.

Finally, this argument does not support limiting the privilege to a so-called control group within a corporation but rather complete denial of the privilege. Ultimate corporate decision-making power is not in the hands of management but in the Board of Directors and stockholders. Accordingly, even members of the control group can have no assurance that higher authority in the corporate hierarchy may not decide to waive the privilege in the corporation's best interests.

4. As petitioners and various amici have shown, the privilege not only encourages candid disclosures by corporate employees, but also encourages corporate managements to engage in more rigorous programs of self-regulation.[7] Respondents dismiss this argument, suggesting that corporations "have little choice" but to engage in thorough self-examination. Gov't Br. 29. Respondents also assert that because corporations may be subjected to penalties and liabilities for their activities,

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[7] Petr. Br. 37-38; Br. of Amicus ABA 15-17; Br. of Amici Trial L. 20 & n.17; Br. of Amici Fed. Courts 17-19; Br. of Amicus U.S. Chamber of Comm. 15-16; Br. of Amicus Fed. Bar Ass'n 18-22.

investigations will be undertaken "because good 'business sense' require[s] it," whatever the scope of the corporation's privilege. *Id.* at 31.

It would follow from this argument that no attorney-client privilege for corporations is needed at all, since it will presumably always make good "business sense" for a corporation to consult with attorneys and to engage in self-regulation, whether its communications are privileged or not. Indeed, the logic of the argument extends far beyond corporations. Other persons involved in commercial or even criminal litigation have a substantial stake in the litigation's outcome and will find that it makes good "sense," business or otherwise, to speak candidly with their attorneys. By the government's reasoning, it is pointless to afford the privilege to *any* litigant since, after all, those in need of legal advice are "likely" to speak frankly to their attorneys in any case.

These considerations illustrate two serious flaws in the government's reasoning. The first flaw is that, contrary to the government's assumption, there are no absolutes in predicting the behavior of litigants, whether corporations or individuals, regarding the degree of candor they will employ in communicating with counsel. The decision is frequently based upon a complex set of considerations, some of which favor disclosure, and others of which militate against it. *See* Br. of Amicus Chamber of Comm. 15 n.23. The corporation's management may be faced with clear indications of impropriety, or merely ambiguous signs or rumors, or the corporation may simply contemplate an internal legal audit without evidence of any violation. The likelihood of harm to the corporation from failure to conduct an inquiry may be great and immediate, or it may be improbable and remote. The existence of the privilege in the conduct of such an investigation is one important factor in this equation. That factor may be negative, creating an incentive against inquiries, or it may be positive, favoring inquiries. The policy behind the attorney-client privilege is to assure an incentive *toward* thorough inquiries, and not against them. Respondents' grudging interpretation of the privilege

will significantly inhibit corporate self-regulation particularly by house counsel, and thus undermine activities strongly in the public interest.

The second error in respondents' argument is equally fundamental: they fail to realize that the privilege is not designed simply to assure the efficient conduct of ligitation, but also reflects considerations of essential fairness. A litigant should not be put to the Hobson's choice of either communicating freely with his attorney and thereby disclosing damaging information to his opponent, or, in the alternative, keeping the information secret and thereby foregoing the informed assistance of counsel. This Court recognized this important principle more than a century ago: "If a person cannot consult his legal adviser without being liable to have the interview made public the next day by an examination enforced by the courts, the law would be little short of despotic." *Connecticut Mutual Life Insurance Co.* v. *Schaefer,* 94 U.S. 457, 458 (1876). *See also,* 8 Wigmore, *Evidence* § 2291 at 545-54 & authorities cited therein.

5. Respondents argue that affording the protection to communications between employees and a corporation's attorneys might conceal relevant evidence. Gov't Br. 39-43. This argument cannot withstand analysis. The privilege does not limit in any way the ability of an adversary to obtain evidence, since it is applicable only to *communications* to the attorney, and not to the information communicated. *See, e.g., City of Philadelphia* v. *Westinghouse Electric Corp.,* 205 F. Supp. at 831. Without recourse to the shortcut of seizing privileged communications, an adversary can obtain the same information through the use of normal discovery techniques.

The broad powers of discovery given to all litigants, including government investigators, are illustrated by the Federal Rules of Civil Procedure. Rule 33 provides that an officer or agent shall be designated to provide all of the information available to a corporation responsive to interrogatories served by an opposing party. This rule contemplates an inquiry on the

part of the corporation to discover facts known to any of its employees or agents, and disclosure of those facts to the adverse party. Thus, not only does an adversary have access to the witnesses directly, but he can within broad limitations require the corporation to gather the information for him. Rule 33 and numerous other discovery provisions wholly undercut respondents' claim that it is unduly burdensome to require a party to conduct a separate investigation when the opponent is a corporation.

Nor is there any substance to respondents' argument that the subject-matter test will create a "zone of silence" by encouraging corporate employees to communicate only with corporate counsel. Gov't Br. 40-42. To the contrary, the availability of the privilege will maximize the flow of information to corporate management by encouraging candid communications by corporate employees. If abuses occur, they can be readily distinguished from legitimate applications of the privilege. The safeguards adopted by the Eighth Circuit in *Diversified Industries, Inc.* v. *Meredith,* 572 F.2d 596 (8th Cir. 1978) (en banc), are specifically designed to ensure that the privilege is invoked legitimately.[8] *See* Petr. Br. 21-23.

The communications here in question fall squarely within the scope of *Diversified* and, despite respondents' intimations to the contrary, were plainly legitimate exchanges between attorney and client for purposes of affording legal advice. The

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[8] Contrary to respondents' assertion, petitioners do not "reject the modified subject matter test" of *Diversified.* Gov't Br. 42 n.27. Petitioners recognize that, as with any other legal principle, safeguards are necessary to prevent abuses, and the safeguards suggested by Judge Weinstein and adopted in *Diversified* may serve that purpose. Petitioners also suggest, however, that the precise formulations adopted in *Diversified* may be unduly rigid, and that this Court may prefer in this case to adopt a more flexible approach, perhaps awaiting further developments in the lower courts. Petr. Br. 23. *See also* Br. of Amicus ABA 6 & n.2; Br. of Amici Trial L. 10 n.5.

information was provided to Upjohn's attorneys by corporate employees regarding matters falling clearly within the scope of their employment. The employees acted in direct response to instructions from their corporate superiors. In turn, the corporate superiors acted on the advice of counsel, for the purpose of providing information to counsel upon which legal advice would be based. The communications were held in confidence within the organization.[9] In these circumstances, respondents' belated suggestions of abuse are unpersuasive.[10] Indeed, those suggestions underscore the unjustifiably narrow view respondents take both of the privilege and of the important interests it is designed to serve.

The privilege does not serve to deny evidence to or to handicap an opponent. As noted, all the relevant facts remain discoverable, and often, as is the case here, counsel's previous efforts actually facilitate investigation by an opponent. The application of the privilege — in the case of both a corporation and an individual — merely denies to a litigant any advantage arising from the circumstance that his opponent has consulted counsel.

6. Respondents urge that *Hickman* v. *Taylor,* 329 U.S. 495 (1947), adopted the control group test by implication. The deficiencies of this claim are many and severe. First, respondents' argument is based solely on inferences, unsupported by any holding or even dicta in the case, which was decided two decades before the competing tests were even articulated. Second, this Court specifically disavowed any intention in

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[9] The letter from Upjohn's chairman specifically advised employees that "[t]he subject matter [of the inquiry] must be treated as highly confidential and is not to be discussed with or disclosed to anyone other than Gerard Thomas or individuals he shall designate." J. App. 39a.

[10] It is significant that respondents did not offer such an argument before the court of appeals, the district court or the magistrate, and did not even find the question sufficiently significant to refer to it in their brief acquiescing in the grant of a writ of certiorari by this Court.

Hickman " to delineate the content and scope of [the attorney-client] privilege." *Id.* at 508. Third, respondents have, in any event, misread *Hickman.* Their argument amounts merely to this: since *Hickman* concerned disclosure of communications between employees and counsel, and the Court based its holding upon the work-product rule, it must by implication have concluded that the attorney-client privilege was inapplicable. This overlooks the fact that *Hickman* did not involve a corporation at all, and therefore did not pose, even by implication, the question presented here.

More fundamentally, however, in *Hickman* the employees were merely witnesses. The attorneys' investigation did not concern matters falling peculiarly within their expertise or duties as employees. Rather, they happened fortuitously to witness an accident which involved potential liability for their employer. Their position was no different from that of surviving passengers of the barge or casual observers from the shore or a nearby boat.[11] In those circumstances, the communications fell outside all of the various possible tests for the privilege. Respondents' reliance on *Hickman* is thus clearly misplaced.[12]

7. Respondents next attempt to avoid petitioners' argument that state law strongly supports adoption of the subject-matter test by seeking to distinguish certain of petitioners' authorities. Despite respondents' unpersuasive efforts, the

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[11] As pointed out by Amici Trial L., the employees in *Hickman* had interests adverse to those of the employer with respect to the incident in question. Amici Br. 11 n.7. In such circumstances, the privilege had been held not to apply at all to communications between the agent and the employer's attorney. *Id., citing* Becher v. United States, 5 F.2d 45, 49 (2d Cir. 1924).

[12] Respondents suggest that the "scope of employment" test is subject to manipulation, because corporations could always define the duties of employees as including observation of what would otherwise be fortuitous events. Gov't Br. 34-35. These arguments have little substance. The issue is not how a corporation chooses to define its employees' duties, but whether the information in question *in fact* relates to the employees' substantive responsibilities.

simple fact remains that state law policies do preponderantly favor the broader interpretation of the privilege reflected in the subject-matter test.

For example, in *Ford Motor Co.* v. *O.W. Burke Co.*, 59 Misc. 2d 543, 299 N.Y.S. 2d 946 (Sup. Ct. 1969), the defendant sought to subpoena communications between an employee of plaintiff and its house counsel. Before the commencement of litigation, the attorney had investigated the controversy and, pursuant to his request, the employee had provided him with information in the form of a memorandum. The court held the communication to be protected by the attorney-client privilege.[13] Respondents also attempt to dismiss the unequivocal holding in *Stewart Equipment Co.* v. *Gallo*, 32 N.J. Super. 15, 107 A.2d 527 (1954), by arguing that the employee "could well be viewed as a member of the control group." Gov't Br. 45 n.29. Not only did the court make no such finding, but such a finding would have been inconsistent with the court's conclusion that the employee lacked authority to waive the privilege on behalf of the corporation. 32 N.J. Super. at 17, 107 A.2d at 528. Accordingly, he could not have been a member of any control group.[14]

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[13] Respondents argue that this case "turns entirely upon whether the privilege applies to in-house as well as independent counsel." Gov't Br. 45 n.29. However, that question only becomes relevant once the court determines, as it did, that the privilege exists at all.

[14] Similarly unavailing is respondents' attempt to undermine petitioners' suggestion that the Illinois courts are moving toward adoption of the subject-matter test. Gov't Br. 44. In Cox v. Yellow Cab Co., 61 Ill. 2d 416, 337 N.E.2d 15 (1975), the Illinois Supreme Court stated:

> There are many factors relevant to a determination whether a statement given by a corporate employee is entitled to the protection of the attorney-client privilege. (*See, e.g.*, the discussion by the California Supreme Court in *D. I. Chadbourne, Inc.* v. *Superior Court* (1964) 60 Cal. 2d 723, 36 Cal. Rptr. 468, 388 P.2d 700.) Among those factors are the purpose for which the statement was required, the understanding by its maker as to that purpose, the extent to which its confidentiality was maintained after it was made and in the course of its transmission to counsel, and others.

Equally unpersuasive is respondents' wholesale dismissal of a number of petitioners' citations. Gov't Br. 44 n.29. While respondents may believe that some of the older state court decisions are less crisply written than more modern opinions, a review of the authorities cited by petitioners will confirm that state law strongly favors a broad application of the attorney-client privilege, such as that offered by the subject-matter test.[15] *See also* Br. of Amicus Fed. Bar Ass'n 26-27. Adoption by this Court of the grudging interpretation urged by respondents would seriously undermine state policies regarding a matter as to which those policies are entitled to great weight.[16]

(*footnote continued*)

61 Ill. 2d at 420, 337 N.E.2d at 18. As respondents admit, *D.I. Chadbourne* squarely adopted a subject-matter test. Gov't Br. 44-45. The Illinois Supreme Court's failure even to mention the control group test, or Day v. Illinois Power Co., 50 Ill. App.2d 52, 199 N.E.2d 802 (1964), which had purported to adopt that test, is highly significant. Respondents fail to note that Johnson v. Frontier Ford, Inc., 68 Ill. App.3d 315, 386 N.E.2d 112 (1979), which they cite as the latest affirmation of the control group test in Illinois, Gov't Br. 44, had been vacated on September 28, 1979 by order of the Illinois Supreme Court. A certified copy of that order has been lodged with the clerk of this Court.

[15] As shown in petitioners' opening brief, at 24-27, more than a dozen jurisdictions have adopted a broad interpretation of the privilege. It is true that six states have adopted the Uniform Rules of Evidence, which incorporate a control group test, but there is no reason to assume that the issue presented here received special or detailed attention. The adoption by those few states of the Rules provides far less significant evidence of state policies than the individual decisions made in a larger number of jurisdictions.

[16] Respondents' argument, Gov't Br. 45 n.30, that "a federal rule adopting the control group test would not displace the state rule of evidentiary privileges [because] . . . federal courts will apply a federal rule of privilege only in federal question cases [and] . . . the state rule in diversity jurisdiction cases," ignores reality. In determining what to disclose to an attorney, a client must, of necessity, govern his affairs

(*footnote continues*)

B. THE WORK-PRODUCT RULE PROTECTS FROM DISCLOSURE THE MATERIALS PREPARED BY AND FOR UPJOHN'S COUNSEL

The government now concedes that the court below erred in holding that the attorney work-product rule has no application in proceedings to enforce a summons issued by the IRS under 26 U.S.C. § 7602. Gov't Br. 16, 48.[17] But the government would drain its concession of force by urging the Court to adopt a special, watered-down version of work-product protection for purposes of such proceedings.

The terms of the work-product "protection" proposed by the government would be radically narrower than those provided for in *Hickman* v. *Taylor,* 329 U.S. 495 (1947), *United States* v. *Nobles,* 422 U.S. 225 (1975), and Fed. R. Civ. P. 26(b)(3). The government would have the Court eliminate the virtually absolute protection which attorneys' "mental impressions, conclusions, opinions or legal theories" consistently have been afforded under Fed. R. Civ. P. 26(b)(3). It also urges a standard of "necessity" for the disclosure of other work-product materials that could be met in virtually any case involving a large organization and in every case involving an organization with any overseas employees.

1. The first category of documents that the government contends should be turned over to the IRS consists of the interview notes and memoranda prepared by Upjohn's counsel to record their impressions of witness interviews. J. App. 93a. Such materials have consistently been afforded virtually abso-

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(*footnote continued*)

according to the narrowest rule applicable in litigation in which it might become involved. Since corporations frequently must assume that they may sue or be sued in federal court, the federal privilege will govern their behavior, whether or not they ultimately become involved in federal question litigation.

[17] The government has not disputed that the materials sought by this summons are properly considered attorney work product.

lute immunity from discovery.[18] The Magistrate did not pause to give separate consideration to these materials. Instead, in a single sweeping conclusion, he recommended that all work product be disclosed. J. App. 192a. To sustain that holding, as the government urges, would *sub silentio* eliminate the virtually absolute protection that consistently has been afforded opinion work product.

The principles that led to adoption of the stringent protection for opinion work product are sound and should govern the decision here. As we have shown, Petr. Br. 49-55, this Court recognized in *Hickman* v. *Taylor* that compulsory disclosure of an attorney's notes concerning a witness interview would seriously jeopardize the orderly prosecution and defense of claims:

> Under ordinary conditions, forcing an attorney to repeat or write out all that witnesses have told him and to deliver the account to his adversary gives rise to grave dangers of inaccuracy and untrustworthiness. . . . The practice forces the attorney to testify as to what he remembers or what he saw fit to write down regarding witnesses' remarks. Such testimony would not qualify as evidence; and to use it for impeachment or corroborative purposes would make the attorney much less an officer of the court and much more an ordinary witness. The standards of the profession would thereby suffer.

329 U.S. at 512-13. At least in the situation before it, the Court was unable to imagine any possible showing of necessity that could ever justify the disclosure of such materials. *Id.* at 513. *See also United States* v. *Nobles,* 422 U.S. at 252-53 (White, J., concurring).

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[18] *See, e.g.,* United States v. Leggett & Platt, Inc., 542 F.2d 655, 660 (6th Cir. 1976), *cert. denied,* 430 U.S. 945 (1977); Duplan Corp. v. Moulinage et Retorderie de Chavanoz, 509 F.2d 730, 734 (4th Cir. 1974), *cert. denied,* 420 U.S. 997 (1975). *See also* In re Murphy, 560 F.2d 326, 336 (8th Cir. 1977).

The special status of opinion work product is expressly confirmed by the Federal Rules of Civil Procedure. Although Rule 26(b)(3) permits the disclosure of various trial preparation materials upon a suitable showing of need and hardship, it unequivocally instructs the district courts to "protect against disclosure" materials containing "the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative . . . ."[19]

Without explanation or discussion, the government would have the Court sweep away a protection basic to the adversary system, which has been recognized by courts on both sides of the Atlantic for many years. *See* Petr. Br. 50-51 & n.56. The government points to no abuses of the opinion work-product rule that would justify such a radical step or call into question the wisdom of *Hickman* v. *Taylor* or Rule 26(b)(3). Accordingly, whatever result it may reach with respect to the Service's assertion of "necessity," the Court should protect the interview notes and memoranda of Upjohn's attorneys from disclosure.[20]

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[19] In explaining this branch of the work product rule, the Advisory Committee on the Rules of Civil Procedure stated,

> [Subdivision (b)(3) of Rule 26] then goes on to protect against disclosure the attorney's mental impressions, conclusions, opinions or legal theories. The *Hickman* opinion drew special attention to the need for protecting an attorney against discovery of memoranda prepared from recollection of oral interviews. The courts have steadfastly safeguarded against disclosure of lawyers' mental impressions and legal theories.

4 Moore *Federal Practice* ¶ 26.01[18] (2d ed. 1979).

[20] The protection to be afforded to the opinion work product sought by the summons is not an issue upon which further evidentiary proceedings are required or even would be helpful. The record makes abundantly clear that the notes and memoranda sought by the summons consist of opinions and mental impressions. J. App. 93a. No further showing is required in order to invoke absolute immunity.

2. Rule 26(b)(3) provides that work product (other than opinion work product) may be disclosed only "upon a showing that the party seeking discovery . . . is unable without undue hardship to obtain the substantial equivalent of the materials by other means." The Service has never remotely approached any such showing. Indeed, the summons here, which calls specifically for all work-product materials, was issued at the outset of the Special Agent's investigation, months before any documents were requested or witnesses examined and, accordingly, well before discovery had been initiated, let alone exhausted.

The government's position is based largely upon Upjohn's objections, on grounds of relevancy, to questions put to one witness regarding foreign payments which the Company contended could not conceivably have affected its United States tax liability. Gov't Br. 49-50. But Upjohn's objections are insufficient to establish the unavailability to the Service of "substantial equivalents" of counsel's work product.[21]

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[21] Contrary to the government's contention, Upjohn is not asking that the Service be required to demonstrate probable cause why the summoned records should be disclosed. *See* Gov't Br. 49 n.35. All Upjohn is asking is that the Service utilize the methods created by Congress to resolve a dispute as to relevance, rather than seeking the work product of counsel as a convenient alternative to even presenting the dispute to a court.

The government relies on United States v. Bisceglia, 420 U.S. 141 (1975), for the proposition that production of the work product of Upjohn's counsel "is firmly grounded in the strong public policy favoring enforcement of Internal Revenue summonses." Gov't Br. 49. But there is nothing in *Bisceglia* to suggest that a weakened version of work-product protection should be fashioned for summons enforcement cases, and the result in *Bisceglia* — the sanctioning of John Doe summonses—was in fact modified by Congress because of its concern regarding needless invasions by the Service of privacy interests. *See* Petr. Br. 57 n.68.

Any policy generally favoring enforcement of summonses has, of course, never been considered to be absolute. This Court has consistently recognized that any such policy must give way in the face

(*footnote continues*)

When confronted with such objections, the Special Agent was plainly not without appropriate means to obtain the information he sought. He had only to utilize the tools provided by Congress. He could readily have issued summonses for the witnesses' testimony pursuant to 26 U.S.C. § 7602, and promptly thereafter petitioned the district court for enforcement pursuant to 26 U.S.C. § 7604.[22] Instead, the Special Agent sought a short-cut through the use of counsel's work product. But the desire for such a short-cut hardly constitutes a demonstration of the absence of "substantial equivalents."[23]

The government attempts to bolster its showing of "necessity" by arguing that the Service faced hardships in conducting its investigation. Gov't. Br. 49-50.[24] In the first place, the claimed "hardships" are largely of the Service's own making. With respect to prospective witnesses residing outside the United States, Upjohn agreed to and did give notice to the Service when those persons visited Upjohn's headquarters in Michigan, but the Service did not interview several of them and did not serve summonses for their testimony. Nor has the Service taken full advantage of Upjohn's offer to make these

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(*footnote continued*)

of constitutional rights and countervailing policies recognized by Congress, United States v. Euge, 444 U.S. 707, 711 (1980), and the policy has never been thought to sanction the overriding of other established privileges, Reisman v. Caplin, 375 U.S. 440, 449 (1964) (attorney-client privilege).

[22] The single witness who, on instructions of Upjohn's counsel, declined to answer certain questions put by the Special Agent was, although based abroad, interviewed in the United States. J. App. 77a, 79-80a.

[23] *Cf.* United States v. Coopers & Lybrand, 550 F.2d 615, 621 (10th Cir. 1977) ("[m]ere convenience does not make an item producible under an IRS summons").

[24] It should be noted that factors like those cited by the government would be present in virtually any case involving a large organization and in every case involving an organization with any overseas employees. Accordingly, what the government here is arguing for is, in effect, a broad exclusion from work-product protection for a substantial number of entities.

persons available overseas.[25] Moreover, Special Agents have failed to interview a number of persons interviewed by Upjohn's counsel who are stationed in Michigan. Finally, the Service was provided with timely notice of the possible foreign payments at the time of Upjohn's attorneys' investigation. The Service's own responsibility for any delay in its investigation should preclude its reliance on that fact to demonstrate "undue hardship."

Second, a blunderbuss approach to application of the "necessity" exception is obviously inappropriate. For example, the government does not distinguish between questionnaires and interview notes concerning Upjohn's U.S.-based employees and those concerning its overseas employees. The former, of course, are readily subject to federal court process. Nor does the government seek only the limited portions of the work product of Upjohn's counsel that deal with subjects as to which Upjohn's counsel interposed objections.[26] To the contrary, the government evidently believes that if any work-product materials are not, as it views the situation, conveniently available, *all* such materials must be produced.

It never has been demonstrated that any of the concerns now expressed by the government were, as to any prospective witness, anything more than speculation. The government has never served a single summons to compel the testimony of a single witness, except Upjohn's counsel, and has accepted only to a limited extent Upjohn's continuing invitation to interview many employees, here and abroad, without the necessity of a

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[25] Although the Service interviewed employees in Japan and Hong Kong, it made no effort to interview others in less distant locations, even through use of the Service's own investigators located throughout the world. *See* Petr. Br. 63 & n.77.

[26] Contrary to the government's assertion, Gov't Br. 49, Upjohn has not "forbidden" its employees to discuss certain matters with the Service. All that Upjohn has done is, through its counsel, assert objections to certain of the questions put by the Special Agent to a single witness. Petr. Br. 6.

summons. In similar circumstances, courts have unanimously refused to order access to work-product materials. *In re Grand Jury Investigation (Sun Co.)*, 599 F.2d 1224, 1232-33 (3d Cir. 1979); *In re Grand Jury Subpoena Dated December 19, 1978*, 599 F.2d 504, 512-13 (2d Cir. 1979); *Diversified Industries, Inc.* v. *Meredith*, 572 F.2d 596 (8th Cir. 1978) (en banc).[27]

Because the court of appeals did not consider whether the protection of the work-product rule was overcome in this case by any showing of necessity, the government's concession that the rule does apply to a summons enforcement action requires, at a minimum, that the case be remanded for review of the issue of "necessity" under appropriate standards. However, a remand is not required. In view of the Service's failure to make any credible showing of necessity below, and in order to move this investigation forward, this Court can and should hold that the contested materials are protected against disclosure by proper application of the work-product rule.

Respectfully submitted,

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[27] The authorities relied upon by the government are not to the contrary. Goosman v. A. Duie Pyle, Inc., 320 F.2d 45 (4th Cir. 1963), did not involve work-product materials. Southern Railway v. Lanham, 403 F.2d 119, 126-27 (5th Cir. 1968), involved a written statement taken by a claims agent and was decided under the "good cause" standard formerly embodied in Fed. R. Civ. P. 34, which the court itself said required "something less than the demonstration required to overcome the work product immunity" (citations omitted). Wilson v. David, 21 F.R.D. 217 (W.D. Mich. 1957), also was decided under the good cause standard.